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California insurance companies conspire with the California Chiropractic Association Health Service Foundation Peer Review Committee to standardize fees -- which is a violation of Federal Anti-Trust statutes.

The function of the Peer Review Committee is to review the reasonableness of the medical services rendered by chiropractors in the community. The Peer Review Committee is compensated by the insurance company for each claim reviewed. If the insurance carrier is not happy with the decision of the Peer Review Committee they merely stop referring claims for review. Therefore if the Peer Review Committee does not cut your bill... how will they get paid?

Coincidentally, the same doctors who review the reasonableness of your bills for State Compensation Insurance Fund, also perform defense physical examinations for them. Let me ask you -- What would happen if State Compensation Insurance Fund sends YOUR bill for review on a patient that they have sent to the Peer Review Committee doctors for examination. Do you think they will approve your bill???

Philip E. Brown is the Chairman of the Peer Review Committee. He is also the attorney for the California Chiropractic Association. Philip E. Brown also has a private law practice. A substantial amount of his business involves litigating personal injury and workers compensation cases. Philip E. Brown has offered to use his position of power on the Peer Review Committee to allow a chiropractor who refers legal cases into his office for representation to charge higher fees than normally approved by the Peer Review Committee. He further has offered to give cash under the table for cases referred into his office for legal representation.

What happens if a chiropractor refuses to compromise his ethics and does not refer cases to Philip E. Brown in exchange for a kickback and preferential treatment from the Peer Review Committee? Let me tell you...his bill is cut...sometimes even disallowed entirely!!!

There are two problems confronting us:

1. The Peer Review Committee interferes with the doctor patient relationship by provoking elements of doubt and distrust in your patients, thus promoting a deterioration of the implied contractual relationship which exists between the doctor and the patient. This in effect, will reduce the scope of your license to that of a technician by effectively removing your basic right to use your individual discretion in the care of your patients and in the establishment of your fee for services.
2. Philip E. Brown has abused his position of power for his personal gain at the expense of professionals within the chiropractic community. This is a classic example of the liabilities inherent in a system which appoints officials to a position, rather than involving a democratic process, wherein members of the CCA would have a say in determining whom they consider to be their PEERS.

At present, Dr. Jeremy A. Sigmond, D.C. has filed a lawsuit in the Los Angeles Superior Court against Philip E. Brown, Joseph A. Berg, Benjamin B. Shearer and various insurance companies based on their conspiracy to fix prices. The above is the basis of said suit.

If you have had similar problems with the Peer Review Committee and/or insurance company bad faith practices, and would like to join Dr. Sigmond's suit or get more information, please contact Dr. Jeremy A. Sigmond, D.C., 2722 So. Robertson Boulevard, Los Angeles, California 90034; or Norman Edell, Attorney at Law, 8665 Wilshire Boulevard, Penthouse Suite, Beverly Hills, California 90211 - (213) 652-8090.

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# THE STATE BAR OF CALIFORNIA

OFFICE OF TRIAL COUNSEL

1230 West Third Street  
Los Angeles 90017  
Telephone (213) 482-8220



555 Franklin Street  
San Francisco 94102  
Telephone (415) 561-8200

THESE ARE  
THE CASSETTES  
THAT THEY  
KILLED DR. SIGMUND  
FOR.

Aug 11, 1983

Received from Deborah Lettich this  
date the following cassettes:

- ① Cassette marked "Repackaged Original Cassette  
19 May 82 J.E. Paul" #1"
- ② Cassette marked "June 21, 1982, 2:00 p.m. #2"
- ③ Cassette marked "Philip E. Brown #3"
- ④ Cassette marked "Philip E. Brown #4"

Also received a flyer "Peer Review Committee -  
Insurance Company Conspiracy". On reverse 3  
Doctors' names & telephone numbers.

The cassettes above are copies of the  
originals and need not be returned.

George O. Stouffer



# California Chiropractic Association

2201 "Q" Street, Sacramento, California 95816 • (916) 443-6601

*Office of the President*

August 22, 1983

## MEMORANDUM TO THE PROFESSION

FROM: R. Lloyd Friesen, D. C., President

You may have recently received an unsigned notice entitled, "Action Alert ... Peer Review-Insurance Company Conspiracy," wherein disparaging remarks were made about CCA/HSF Peer Review in general, and Philip Brown, Chief Administrator of CCA/HSF, in particular. The notice further claims that these allegations are contained in a suit filed by Dr. Jeremey Sigmond in the Los Angeles Superior Court against Philip Brown, Joseph Berg, and various insurance companies, and requests other members of the profession to join in this action.

There is no law suit pending. Last year, a suit was filed by Dr. Sigmond against the aforementioned parties, but according to our information, it was dismissed by the Court.

The CCA Executive Committee studied the issue closely at its August 20th meeting and passed the following motion, reaffirming its confidence in CCA/HSF Peer Review, and Philip E. Brown in particular:

"I move that since there is no foundation for Dr. Sigmond's accusation, the CCA prepare a letter to the profession with a vote of confidence for CCA Legal Counsel."

RLF:mm

August 22, 1983

**FILE COPY**

R. Lloyd Friesen, D. C.  
President, CCA  
1325 East Thousand Oaks Boulevard, Suite 104  
Thousand Oaks, California 91360

Dear Dr. Friesen:

This is to reaffirm to you my earlier phone conversation with you regarding the Executive Committee meeting of August 20-21, 1983. For the record . . . I have also talked to Mr. Gary Cuneo and expressed to him the same information I am putting in this letter for you to realize the ramifications on your handling of the last order of business - the solicitation of outside legal counsel. (Refer to responses from law firms on July 25, August 11 & 12, 1983.)

You made a point of withholding this information from the 1st Vice President and the 2nd Vice President (myself and Dr. Goodwin, respectively) but others were aware of the solicitation including the CCA Staff and Department Chairman, who also withheld this information from us. Your timing of presenting this information was made after Dr. Brown had left the meeting and today, I had the dubious honor of informing him of the above when he called my office on another matter. He, of course, was shocked and hurt and said he would send his resignation at the end of the month. I asked him not to do this, as he is and has been, too valuable to the profession to be run off by the likes of you and the others who have decided on this course of action.

I have heard yours and Mr. Cuneo's reasons for withholding this information and reject them. In retrospect, the meeting had unusual twists that make me think other decisions have been made without our knowledge. The manner in which the new agenda items were presented leaves me with questions of adherence to proper parliamentary procedures. There is no reference, on the agenda, of this subject.

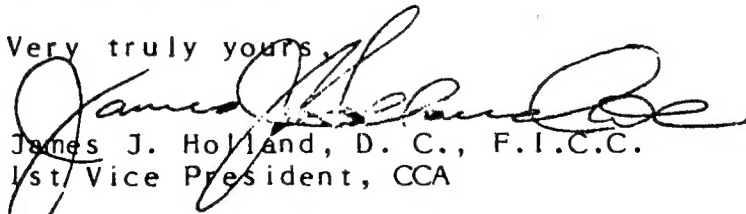
I must remind you and Mr. Cuneo, Mr. Cuneo works for the Association - not for you - it is Mr. Cuneo's responsibility to serve the Association in a forthright manner and do what is required of him in accordance with our

August 22, 1983

by-laws and codified policy. You have caused an "us and them" feeling within the Executive Board and a feeling of distrust and subversiveness has developed.

I am sending a copy of this letter to the CCA Board of Directors and by this copy, asking them to have you respond to this letter, by mail, to their Board **within 5 days.** I also am asking you to direct Mr. Cuneo to respond to the CCA Board of Directors, within the same time frame, on his action. Your direction of this falls within the structure of the corporation.

Very truly yours,



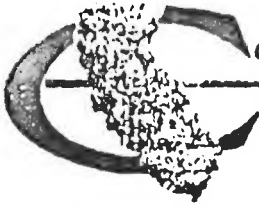
James J. Holland, D. C., F.I.C.C.  
1st Vice President, CCA

JJHjkh

cc: Garrett Cuneo, Executive Director, CCA  
Board of Directors, CCA  
Executive Board, CCA

ADDENDUM: This letter is being sent to you from my office because the CCA Office, under direction from the CCA President, refused to forward this letter.

meo  
CCA  
P.



PHILIP E. BROWN, LL.B.  
CHIEF ADMINISTRATOR  
15910 Ventura Blvd., Ste. 1109  
Encino, CA 91436  
(213) 981-0120

October 1, 1983

MARCUS I. BROWN, D.C.  
STATE CHAIRMAN  
PEER REVIEW COMMITTEES  
18614 Sherman Way  
Reseda, CA 91335  
(213) 881-0013

R. Lloyd Friesen, D.C.  
1325 E. Thousand Oaks Blvd., #104  
Thousand Oaks, California 91360

Dear Dr. Friesen:

HEALTH SERVICE FOUNDATION  
REGIONAL OFFICES

Los Angeles  
8435 Reseda Blvd.  
Northridge, Calif. 91324  
(213) 885-6124

La Jolla 92037  
8950 Villa La Jolla Dr., Ste. 1220  
(619) 457-3700

Fresno 93711  
1452 W. Shaw Avenue  
(209) 225-0414

Sacramento 95818  
3639 Franklin Blvd.  
(916) 452-3822

San Rafael 94901  
911 Mission Avenue  
(415) 453-1040

Westminster 92683  
7597 Westminster Avenue  
(714) 892-7021

Riverside 92514  
P. O. Box 4770  
(714) 351-0368

Lodi 93240  
900 S. Fairmont Ave.  
(209) 368-5535

Burlingame 94010  
1720 Marco Polo Way  
(415) 697-5878

After twenty-three years of continuous representative service, I do not believe that the present climate within the CCA framework will permit me to continue in that capacity.

During that period of service, I have successfully withstood the pressures on many fronts including the CMA, various insurance carriers, the Insurance Commissioner's office, the ICAC, many threatening attorneys, and the brickbats of many D.C.'s within and without the CCA. However, I no longer have the desire to continue to fight certain destructive forces existing within the CCA that conspired to create this present unhealthy climate. That, coupled with your less than enthusiastic "letter of support" motivated this action on my part.

I shall continue to direct my energies along productive and positive lines without the constraints and criticisms of certain elements within the CCA.

Very truly yours,

Philip E. Brown, D.C., LL.B.  
Chief Administrator, CCA-HSP

PEB:es

cc: CCA Executive Board  
CCA Board of Directors  
HSF Peer Review Chairmen

GOULD, SAYRE & CHAVEZ  
A Professional Corporation  
ATTORNEYS AT LAW  
Santa Monica Business Park  
3000 Ocean Park Boulevard, Suite 1025  
Santa Monica, California 90405  
(213) 450-0047

FILED  
DEC 14 1983  
U.S. DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

Attorneys for Plaintiff

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF LOS ANGELES

JEREMEY A. SIGMOND, D.C.,	)	CIVIL ACTION NO. 83-7861 KN (Jr)
	)	FIRST AMENDED
Plaintiff,	)	COMPLAINT FOR VIOLATION OF
	)	THE RACKETEER INFLUENCED AND
vs.	)	CORRUPT ORGANIZATIONS ACT
	)	[18 U.S.C. §§ 1961 et seq.]
PHILIP E. BROWN; JOSEPH A.	)	
BERG, D.C.; BENJAMIN B.	)	
SHEARER, D.C.; PAUL J.	)	
MALAPIRA, D.C.; DENNIS	)	
SWANSON, D.C.; MARCUS I.	)	
BROWN, D.C.; ALLSTATE INSUR-	)	
ANCE COMPANY; BANKER'S LIFE	)	
INSURANCE COMPANY; CALIFORNIA	)	
CHIROPRACTIC ASSOCIATION	)	
HEALTH SERVICE FOUNDATION	)	
PEER REVIEW COMMITTEE,	)	
	)	
Defendants.	)	

Plaintiff JEREMEY A. SIGMOND, D.C., for a cause of action  
against the Defendants, and each of them, complains and alleges as  
follows:

/ / /

/ / /

/ / /

/ / /





# California Chiropractic Association

2201 "Q" Street, Sacramento, California 95816 • (916) 443-6601

CALIFORNIA CHIROPRACTIC ASSOCIATION  
SPECIAL MEETING OF THE BOARD OF DIRECTORS

HYATT HOTEL - BURLINGAME  
BURLINGAME, CALIFORNIA  
JANUARY 8, 1984

MINUTES

CCA  
INVOLVEMENT  
IN  
LAWSUITS.  
EXH "A"

5 A.M. CALL TO ORDER: R. Lloyd Friesen, D. C., President

ROLL CALL & DETERMINATION  
OF QUORUM: Peter Fediay, D. C., Secretary

DIRECTORS PRESENT:

Robert Johnson, D. C.  
Howard Fisher, D. C.  
Patrick Marchese, D. C. (Alt.)  
Russell A. Copping, D. C.  
Lawrence L. Cunningham, D. C.  
George I. Jones, D. C.  
George Worth, D. C.  
D. Wayne Allen, D. C.  
Pedro A. Ruggiero, D. C.  
Leon Evans, D. C.  
Melvin F. White, D. C.  
Merlyn A. Green, D. C.  
Moses Jacob, D. C.  
Dennis R. McKown, D. C.  
Jerilynn S. Kaibel, D. C.  
David Polley, D. C. (Alt.)  
Augustine Amerigo, D. C.  
Leonard S. Goldberg, D. C.  
Marcus I. Brown, D. C.  
Matthew Rosenstein, D. C.  
John A. Cullen, D. C.  
Steven F. Johnson, D. C.  
David F. Stewart, D. C.  
Robert Hurley, D. C.  
David P. Gilkey, D. C.  
Robert Derryberry, D. C.  
Harvey Prince, D. C.

SOCIETIES REPRESENTED:

Butte Society  
Central Coast Society  
Central Valley Society  
Contra Costa Society  
High Desert Society  
Kern County Society  
Lake Tahoe Society  
Los Angeles Eastern Society  
Los Angeles Metro Society  
Los Angeles Southeast Society  
Los Angeles Southwest Society  
Monterey Bay Society  
North Bay Society  
Orange County Society  
Riverside County Society  
Sacramento Valley Society  
San Bernardino Society  
San Diego County Society  
San Fernando Valley Society  
San Francisco Society  
San Gabriel Valley Society  
San Joaquin-Stanislaus Society  
San Mateo Society  
Santa Barbara Society  
Santa Clara Society  
Ventura County Society  
Verdugo Hills Society

Arriving late: Larry J. Kleefeld, D. C., Redwood Society

Societies not represented: Alameda County, Citrus, Long Beach, Mount Shasta, and Santa Monica

(PLEASE SEE OTHER SIDE)



OFFICERS PRESENT:

R. Lloyd Friesen, D. C.  
James J. Holland, D. C.  
William P. Goodwin, D. C.  
Kurt Hegetschweiler, D. C.  
Peter Fediay, D. C.  
Robert L. Dark, D. C.

OFFICES REPRESENTED:

President  
1st Vice President  
2nd Vice President  
Treasurer  
Secretary  
Immediate Past President

RECOGNITION OF DEPARTMENTS CHAIRPERSONS & OTHERS:

Garrett F. Cuneo  
Michael J. Schroeder  
Earl Willens  
David F. Stewart, D. C.

Executive Director  
Legal Counsel  
Legal Counsel  
Sergeant-At-Arms

Annette Herman  
Gertrude Greenhalgh  
Micqui Miller

Director of Administrative Services  
Parliamentarian  
Administrative Secretary

GUESTS:

Lowry R. Morton, D. C., Past President  
Russell A. Smith, D. C., Past President  
James D. Petrikin, D. C.  
Judith Balsam, D. C.  
Howard Essegian, D. C., ACA Delegate  
Mathew A. Snider, D. C., Alt. ACA Delegate  
John C. Greene, D. C., CCPAC Trustee  
Marilyn Allen, President, CCA Auxiliary

*into list  
on form*  
With a quorum determined, Dr. Friesen began the meeting by strongly urging each Director to attend the Legislative Conference in Sacramento, February 26 and 27. He also reminded them of the Association's fundraiser, Casino Royale, which would be taking place at the HSF Seminars, and that tickets were still available for the Mercedes Benz being raffled by the CCA Auxiliary on behalf of CCPAC.

*\*Comm  
1 hour by*  
Following these announcements, Dr. Friesen advised that during the Executive Committee meeting, which had been held the two previous days, a lengthy Executive Session had been conducted to discuss internal problems within the Committee. The results of that session had been a commitment by all members to work together for the betterment and progress of the Association.

*Special  
Board*  
Dr. Friesen then reiterated this was a special Board of Directors meeting, called for the purpose of discussing the lawsuit filed by Jeremy A. Sigmond, D. C., against Philip E. Brown, Joseph A. Berg, D.C., Benjamin B. Shearer, D.C., Paul J. Malapira, D.C., Dennis Swanson, D.C., Marcus L. Brown, D.C., Allstate Insurance Company; Banker's Life Insurance Company, and the California Chiropractic Association Health Service Foundation Peer Review Committee for alleged violations of the Racketeer Influenced and Corrupt Organizations Act (RICO).

As Dr. Friesen continued summarizing the action taken to date, the following motion was offered:

"I move that we go into Executive Session." Motion offered by Dr. Robert Dark, seconded, and carried.

During discussion, Dr. David Stewart asked the rationale for working in Executive Session. Special litigation counsel, Earl Willens responded by citing client/attorney privilege. Following discussion, it was decided only duly elected members of the Board of Directors, their Alternates, and the Executive Director would be allowed to participate.

The Executive Session began at 11:32 a.m., and reconvened to open session at 2:02 p.m.

Comments following the session dealt with CCA's liability insurance coverage on Officers and Directors, specifically what coverage and when it would go into effect. Dr. Friesen indicated all of our insurance coverage was being reviewed by legal counsel and recommendations were forthcoming.

Comments also were made concerning a general plea for unity and suggestions that differences be settled within the meeting room and not promulgated through lawsuits and mass mailings.

The following motion was then offered:

"I move that the CCA authorize the law firm of Wyman, Bautzer, Rothman, Kuchel & Silbert to defend all of the litigants as part of their activities with HSF Peer Review with the exception of Philip E. Brown and the insurance companies." Motion offered by Dr. Matthew Rosenstein, seconded, and carried.

Responding to a query from Dr. Melvin White on what action would now be taken, Mr. Schroeder stated they intended to pursue this litigation vigorously, and that they would be filing a Motion for Dismissal on the grounds the complaint had not been properly drafted, and that similar charges had been made in a previous suit which had been dismissed.

The Director from Riverside County then asked if the Chair would entertain additional business. After an affirmative reply, the following motion was offered:

"I move that we go into Executive Session for discussion of a personnel matter." Motion offered by Dr. Jerilynn Kaibel, seconded and carried.

The Executive Session began at 2:26 p.m., and reconvened to open session at 2:58 p.m. The following motion was then offered:

"I move that we show our appreciation to Dr. Phil Brown for his many years of service while employed by the California Chiropractic Association by recognizing our responsibility to him for things done within the scope of that employment." Motion offered by Dr. Robert Johnson, and seconded.

(PLEASE SEE OTHER SIDE)

As debate continued, and several Directors spoke for or against the motion, Dr. Melvin White offered a motion to postpone:

MOTION #5

POSTPONE

ACTION

PENDING ADVICE


OF LEGAL

COUNSEL;

CARRIED.

"I move that we postpone action on the motion pending advice of legal counsel." Motion seconded, and carried, and the main motion was postponed.

MEETING ADJOURNED: 3:12 P.M.

  
\_\_\_\_\_  
Peter Fediay, D. C., Secretary

PF:mm

UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT  
CASE NO. 86-6591

EXH  
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HIN

JEREMEY A. SIGMOND, D.C.,

Plaintiff and Appellant,

vs.

PHILLIP E. BROWN; JOSEPH A. BERG, D.C.;  
BENJAMIN B. SHEARER, D.C.; PAUL J. MALAPIRA, D.C.;  
DENNIS SWANSON, D.C.; MARCUS I. BROWN, D.C.;  
CALIFORNIA CHIROPRACTIC ASSOCIATION  
HEALTH SERVICE FOUNDATION PEER REVIEW COMMITTEE

Defendants and Appellees.

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APPEAL FROM THE UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

D.C. No. CV-83-7861 WJR

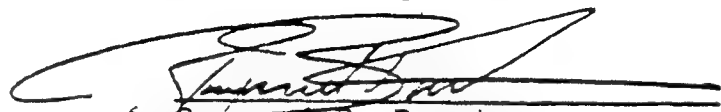
Honorable William J. Rea

---

CERTIFICATION REQUIRED BY NINTH CIRCUIT

---

I, Raymond P. Boucher, counsel of record for  
Appellant, JEREMY A. SIGMOND, D.C., certify  
that there are no known interested parties  
other than those participating in this case.

  
Raymond P. Boucher  
Attorney of record for  
Appellant

Jeremey A. Sigmond, D.C., Inc.

DIPLOMATE - NATIONAL BOARD OF CHIROPRACTIC EXAMINERS

2722 S. ROBERTSON BOULEVARD  
LOS ANGELES, CALIFORNIA 90034

(213) 836-3127

January 13, 1984

RACKETEER INFLUENCED CORRUPT ORGANIZATIONS ACT - ACTION UPDATE

In response to the many rumors that our federal anti-trust seminar has been cancelled, I submit this letter to the profession letting everyone know that the rumors are in fact, just rumors. In my "RICO" action I further allege that Philip E. Brown, Benjamin B. Shearer, Joseph A. Berg, Marcus I. Brown, Dennis Swanson and Paul J. Malapira (State Board Member), as officers and members of Defendant Peer Review Committee and/or as individuals, were representing and holding themselves out to be the Peer Review Committee, at all times available for HIRE by insurance companies throughout the State of California. I further allege that these same defendants review chiropractors' fees in a manner calculated to result in a high frequency of adverse determinations, forcing or attempting to force doctors to lower their fees to amounts less than the value of the services rendered, threatening disciplinary action if the doctor does not accede to demands that he or she lower certain fees; unlawfully and maliciously interfering with doctors contracts and inducing subscribers to breach said contracts by advising subscribers that doctors charges are unreasonable; making fee determinations which reduces doctors' fees by insignificant and arbitrary amounts in a manner calculated to harass and embarrass the Doctor in the eyes of his Peers and his or her patients; making threats to doctors that if he or she does not agree to reduce certain fees, that he or she would lose business and or loss of his or her Chiropractic license. I further believe and allege that the defendants so named combined and conspired with each other and other co-conspirators not yet known to me for the purpose of offering bribes "kickback" monies, and/or favorable Peer Review evaluations to Chiropractors, including myself, in consideration for referring patients to the law office of Philip E. Brown.

It is further alleged that on or about April 22, 1980, in a meeting between Phil Brown and I, Phil Brown outlined a scheme of bribery and extortion to me stating that, if I refer medical/legal cases into his law practice that he would give me a "kickback" of cash under the table for said cases and he assured me that I would receive favorable Peer Review Committee decisions. In my presence Phil Brown telephoned Benjamin B. Shearer to make sure that I had a favorable decision regarding a particular case then pending before the Peer Review Committee. Said actions by Phil Brown were allegedly a token of good will in expectation of my referring legal cases into Brown's law office. Attached hereto as Exhibit A and incorporated herein by this reference is a true and correct copy of the favorable Peer Review Committee letter dated May 31, 1980 directed to Ms. Jackie Ershoff, Claims Examiner for State Compensation Insurance Fund. When I refused to cooperate in such an unlawful scheme, Benjamin B. Shearer disallowed my entire bill the next time that I was Peer Review'd concerning the gentleman referred to in my prior letters to the profession. Attached hereto as Exhibit B and incorporated herein by this reference is a true and correct copy of the Peer Review decision dated January 9, 1981, directed to Mr. Donald J. Brice, Claims Supervisor for State Farm Mutual Automobile Insurance Company, which disallows my entire bill.

All those who gave Phil Brown a vote of confidence owe it to themselves to come and listen to the tapes and compare that reality with the prior court documents that prove beyond a doubt that Phil Brown perjured himself before Superior Court Judge Arthur J. Baldonado. If you still support Brown and refuse to hear and see the evidence, then I strongly advise that you do so in silence. I urge all chiropractors who do not want their patients shifted out of their offices over to select "Panel" Doctors to come and support our meeting.

Once again, the meeting is at the Marriott Hotel at the Los Angeles Airport on February 5, 1984 at 10:00 a.m. If you wish to attend, please send your check for \$45.00 to Gould, Sayre and Chavez, 3000 Ocean Park Boulevard, Suite 1025, Santa Monica, California 90405 (213) 450-0047; otherwise the fee is \$60.00 at the door.

Jeremey A. Sigmond, D.C., Inc.

DIPLOMATE - NATIONAL BOARD OF CHIROPRACTIC EXAMINERS

2722 S. ROBERTSON BOULEVARD  
LOS ANGELES, CALIFORNIA 90034

(213) 836-3127

April 9, 1984

CCA'S MOTION & MOTION TO DISMISS IS DENIED!!!

Mr. Federico C. Sayre proved beyond a doubt that the defendants motion to invoke the doctrine of collateral estoppel must be denied based upon the fact that the burden of proving the identity of the issue rests on the party asserting the estoppel. In other words, Mr. Willens, the attorney representing the CCA, failed to present any documents necessary to identify similar issues. It is estimated that the CCA spent over \$30,000 in dues money in preparation for their motion for dismissal. In summary, if the defendants are found guilty of extortion, California Penal Code Section 520 provides that punishment shall be imprisonment in the State Prison for not less than 1 nor more than 10 years. The defendants must now stand trial.

In the Alexander Pireno case, the NYSCA paid well over 1.5 million dollars in legal defense fees. In addition, they paid an undisclosed amount of money over to Dr. Pireno. The difference between the Sigmond case and the Pireno case is that the Dr. Sigmond suit is stronger than the Pireno suit. This of course, based upon the "smoking gun" theory as well as the evidence at hand.

It is estimated that the CCA membership will have to pay out approximately 2.5 to 3 million dollars defending Dennis Swanson, Joseph Berg, Benjamin B. Shearer, Marcus I. Brown, Paul J. Malapira (State Board Member) and the entire Peer Review Committee.

In a sinister attempt to hide the truth, the CCA has advised their membership to not attend the Dr. Sigmond anti-trust seminars. I, in response to that, advise the entire profession that if anyone still gives Phil Brown a vote of confidence and refuse to see and hear the evidence, then to please do so in silence.

Well now that the CCA membership will have to pay out an estimated 2.5 to 3 million dollars in defending a suit which they will ultimately lose, may I suggest to all CCA members to come see and hear the evidence in my next series of seminars before you end up wasting your money.

Please note that I did not sue the CCA membership. I myself was a member in good standing with the CCA for over 7 years. My father is still a member of the CCA. In essence, I am truly your fellow brother trying to organize and achieve justice for the entire profession. I did however, sue the past and present members of the CCA executive committee, past and present members of all nine peer review committees and past and present duly elected officers. I urge all CCA members to not pay their dues money. Let Dennis Swanson, Joseph Berg, Benjamin B. Shearer, Marcus Brown and Paul J. Malapira (State Board Member) pay for their own defense. I say let the Peer Review Committee members, the entire executive committee members and all duly elected officers (past and present) pay for their alleged acts of professional irresponsibility.

I would like to recognize Dr. Carol Wright, President of the International Chiropractic Association of California who attended the February 5, 1984 anti-trust seminar held at the LAX Marriott Hotel. I would also like to recognize Dr. Lloyd Friesen, President of the California Chiropractic Association who also attended the February 5, 1984 anti-trust seminar. In addition I would like to recognize Dr. Leo Montenegro, Dr. William A. Rupert, Dr. Ransom Sare, Dr. Anna Reeves, Dr. Laura Flores, Dr. Parlan L. Edwards, Dr. C. E. Blossat, Dr. R. L. Kuxhaus, Dr. Robert Dubin (CCA-CPAC Chairman), Dr. Robert C. Hughes, Judge Pauline Nightingale, and all of the other doctors who attended the February 5, 1984 anti-trust seminar.

At the seminar we played the infamous Phil Brown tapes. We also played the Paul J. Malapira tapes (State Board Member) and a new tape with Benjamin B. Shearer telling a doctor that the reason he received an adverse peer review decision against him on the same day he received a notice giving him 7 days to answer the Peer Review Questionnaire was because "all nine Peer Review Committees convened in San Francisco and that the insurance company approached Phil Brown, since they were going to settle and that's why we had to make the exclusions."

At the request of Dr. Priscilla E. Woodard, President of the Harvey Lillard Chiropractic Society, Mr. Federico C. Sayre and I made a guest appearance and spoke for the evening of February 15, 1984 at the University Hilton, Los Angeles. Dr. Woodard reports that the enthusiasm of the question and answer period was representative of the impact our presentation had on their general meeting.

Due to the success of our last meeting and the recent federal court decision to deny CCA's motion for dismissal, another series of seminars will be held in San Francisco and San Diego. Each seminar will last approximately 4 hours. The fee will be \$60 pre-registration or \$75 at the door.

Surprisingly the State Board of Chiropractic Examiners will not allow credit for purposes of relicensing!!!

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SEMINAR REGISTRATION

Sunday, May 13, 1984 10:00 am to 2 pm	Sunday, May 20, 1984 - 10 am to 2 pm
Burlingame Hyatt Hotel	Viscount Hotel
1333 Old Bay Shore Highway - Outlook Room	1960 Harbor Island Drive
Burlingame, California 94010	San Diego, California 92101

I wish to attend the seminar at \_\_\_\_\_

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_ Zip Code: \_\_\_\_\_  
Telephone: \_\_\_\_\_

Make checks payable to Dr. Jeremy A. Sigmond, 2722 So. Robertson Boulevard, Los Angeles, California 90034. The fee is \$60.00 pre-registration or \$75.00 at the door.



WILLIAM K. MAAS, JR., ESQ.  
540 Pacific Avenue  
San Francisco, California 94133  
Telephone: (415) 788-0361

FEDERICO C. SAYRE, ESQ.  
Gould & Sayre  
Santa Monica Business Park  
3000 Ocean Park Boulevard, Suite 1025  
Santa Monica, California 90405  
Telephone: (213) 240-0047

Attorneys for Plaintiffs

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF CALIFORNIA

**CIVS- 81- 0651 LKK**

AARON E. ADAIR, D.C.  
F.A.C.O., ADAIR CHIROPRACTIC  
CORPORATION, a California  
corporation,

Plaintiffs,

v.

CALIFORNIA CHIROPRACTIC  
ASSOCIATION HEALTH SERVICE  
FOUNDATION PEER REVIEW COMMITTEE;  
PHILIP E. BROWN; JOSEPH A. PERG,  
D.C.; PROVIDENT LIFE AND ACCIDENT  
INSURANCE CO.; EDDIE J. BRADDOCK,  
D.C.; and ROSCOE A. MARTIN, D.C.,

Defendants.

**ORIGINAL  
FILED**

**MAY 18 1984.**

CLERK, U. S. DISTRICT COURT  
EASTERN DISTRICT OF CALIFORNIA

BY

CLERK

Civil Action No.

**COMPLAINT FOR VIOLATION  
OF THE RACKETEER INFLUENCE  
AND CORRUPT ORGANIZATIONS  
ACT (RICO) AND FOR VIOLATION  
OF THE SHERMAN ANTI-TRUST  
ACT**

**(JURY TRIAL DEMANDED)**

**FIRST CAUSE OF ACTION: RICO**

Plaintiffs, for a First Cause of Action against the  
defendants, and each of them, complain and allege as follows:

# Jeremey A. Sigmond, D.C., Inc.

DIPLOMATE - NATIONAL BOARD OF CHIROPRACTIC EXAMINERS

2722 S. ROBERTSON BOULEVARD  
LOS ANGELES, CALIFORNIA 90034

(213) 836.3127

May 24, 1984

## THE FINAL SOLUTION

Dear Doctor:

Rumors have been running rampant about two issues within the chiropractic profession in recent months. I'd like to set the record straight concerning Dr. Sigmond's position and activities regarding the Federal Court, Racketeer Influenced and Corrupt Organizations Act lawsuit properly referred to as "RICO" and the charges against Dr. Laura Flores.

(1) CCA legal counsel Mike Schroeder and Lloyd Friesen recently announced to those in attendance at the HSF relicensure seminar that the Sigmond suit would be thrown out of court on March 13, 1984. When the defendants, who by the way are being represented by the law firm of Wyman, Bautzer, Rothman, Kuchel and Silbert -- Earl T. Willens, David A. Robinson were served with my amended Notice of Opposition to Defendants' Motion to Dismiss -- it was CCA's legal counsel that prevailed upon Mr. Federico C. Sayre for a postponement from March 12, to March 26, 1984 and concerning the hearing before the Honorable David V. Kenyon, United States District Judge.

(2) CCA's Legal Counsel has once again prevailed themselves upon Mr. Federico C. Sayre for a time extension so that CCA may file a Petition and Petition for Reconsideration. That request has been denied and time has run out for the CCA to file such an action. The defendants must now file what is known as an Intermediary Writ. Please note that 99.9% of all Intermediary Writs are thrown out of court without even raising the eyebrow. Please note that CCA's legal counsel has in effect allegedly committed what is properly known as LEGAL MALPRACTICE.

Following are questions and answers I feel clarify Dr. Sigmond's position regarding Dr. Laura Flores:

(1) What is the present status of the Dr. Laura Flores case?

I contacted the law firm of Engen and Kirpatrick (818) 796-2964 and Ms. Theo Poloynis-Engen informed me that she personally has prosecuted physicians (M.D.'s) for over 4 years. Her partner has prosecuted physicians (M.D.'s) for over 9 years. They are specialists in the criminal aspect of physician defense and that her law firm is the only law firm that does this and this is why Federico C. Sayre referred Dr. Laura Flores over to them. Ms. Theo Poloynis-Engen and her partner will be present at my Anti-Trust Seminar to be held at the LAX Marriott Hotel on June 10, 1984. According to Ms. Poloynis-Engen "babies were born long before there were M.D.'s."

It has been reported to me from a very reliable source that some of the "Good Old Boys" are preparing counterlawsuits against Dr. Sigmond in an attempt to paperwork me to death. At this time I am prevailing myself upon my fellow brothers and sisters within this profession to spew forth money so that Justice may be achieved.

I am prepared to write Promissory Notes to those doctors that loan me substantial sums of money plus whatever the prevailing interest is IF I am successful in my court battle. Please note that there is always the chance that I may not prevail in court, though it is doubtful that that will happen. Of course donations to my movement will be greatly appreciated by all concerned.

Remember AB 2634 (Alatorre). This bill, sponsored by the CCA, would exempt members of Chiropractic Review Committees from liability for their actions while serving on Peer Review panels. Further, it would grant immunity to Chiropractors who serve as members of underwriting committees of insurance companies to evaluate other Chiropractors for liability insurance. AB 2634 passed the Assembly and is now in the Senate.

A new legislative advocate has joined the staff at CCA. HAROLD BRADFORD, most recently Associate Director of the Office of Government Relations for the California Medical Association, who in 1982 was instrumental in CMA's victory over Chiropractic with regards to defeating AB 868, has allegedly forced Eric Banta out of office since it is alleged that the CCA needed Eric Banta's reported \$18,000 per year salary to help pay Mr. Bradford's \$50,000 per year salary.

*By MR CUNEO.*

-----  
I Wish to Attend the Anti-Trust Seminar:

LAX Marriott Hotel  
Century & Aviation Boulevards  
June 10, 1984 - 10 am to 2 pm

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_ Telephone: \_\_\_\_\_

Fee is \$60 pre-registration or \$75 at the door. Make checks payable to Dr. Jeremy A. Sigmond, D.C., 2722 So. Robertson Boulevard, Los Angeles 90034.

THANK YOU.

The  
Magazine  
for  
Association  
Executives

October  
1985

# ASSOCIATION MANAGEMENT

## Triple Jeopardy


The California  
Chiropractic  
Association faces  
treble damages  
in a case that  
could affect many  
associations.

*Plus:*

KEY AWARD WINNERS

Editor: J. J. Cannon  
Publisher: J. J. Cannon





As executive director  
of the California  
Chiropractic  
Association, Garret F.  
Cunniff is helping  
prepare a defense  
against charges that  
relate directly to  
CCA's poor review  
process.



# Triple Jeopardy

Under a federal law aimed at racketeers, the California Chiropractic Association is being taken to court in a case which could lead to for many associations.

By SUSAN MITCHELL ROSTLINE

**L**IKE A NEW DISEASE FOR which there is no known cause or cure, a recent twist in U.S. law is causing an epidemic of lawsuits for which many attorneys claim there is no just cause or adequate prevention. The basis for these suits is RICO, the Racketeer Influenced and Corrupt Organizations Act, and its emergence in civil—not criminal—cases has spread to associations.

Three RICO suits have been filed against the California Chiropractic Association, Sacramento, by individual chiropractors, some of whom were CCA members. Although the cases are still pending, an understanding of how they came to be and what the potential damages are should serve as an early warning for association executives who may face a similar threat in the future.

RICO came into being in 1970 as Title IX of the Organized Crime Control Act, which is designed to keep organized crime from infiltrating into legitimate businesses. In addition to criminal penalties such as jail sentences, fines, and forfeitures, the law gives the government authority to sue in civil court for injunctions and divestitures. The law also allows private parties to sue for treble damages when their business or property has been injured because of a RICO violation. It is this provision that is the basis for the actions against CCA. And because the scope of RICO is so broad, many standard association activities could conceivably be targets for such suits. Unlike antitrust—whose cause and prevention lead off the catechism of association management—there are no known steps to prevent civil RICO actions, only measures to limit the financial impact.

#### **Associations as racketeers?**

How can normal association activities be subject to charges of "racketeering," a term that conjures up images of guns, strong-arm tactics, and unsavory characters? It hinges on the definition of racketeering under RICO statute, which includes wire and mail fraud.

In order to make a claim of mail fraud, you have only to allege a scheme to defraud and cite a single mailing as a part of the conspiracy. Add another mailing, or one mailing and a single interstate telephone call to that activity, and you can come up with "a pattern of racketeering" un-



# CHIROPRACTORS

der the RICO definition. You don't have to show a link between the defendant and organized crime, and no government criminal charges need to have been filed. It's that simple.

Because letters and telephone calls are the lifeblood of associations, it's easy to see why they are sitting targets for such suits, even if the allegations of fraud later prove to be groundless.

Here's a hypothetical example: The ABC association, in the interest of increasing professionalism in the industry it represents, institutes a certification program. Naturally the certificate committee chairman and the association's executive director discuss the matter over the telephone. Then, when the plans for the programs are ready, a flyer is sent to members and nonmembers explaining the idea behind the certification program and giving dates for certification study seminars to be held around the state, or even around the country. If a disgruntled member—or maybe a nonmember—feels the program is merely a cleverly disguised attempt to control the industry, or a scheme to collect money from participants through false promises, he or she could claim fraud and file a RICO suit.

As Marc Rosenberg, vice president, federal affairs, of the Insurance Information Institute, Washington, puts it, "RICO in effect creates a whole new class of crime."

It also creates an expensive new worry for association executives. "The cost of bringing a RICO case is \$100,000, and it's even more for the defendant," says Ray Boucher, an associate in the Santa Monica, California, law firm of Gould & Sayre and the attorney for the plaintiffs in the three RICO cases against the California Chiropractic Association. These actions are also time consuming. Mr. Boucher estimates that each of these cases will result in a trial lasting from two to three months.

## Why sue under RICO?

If it so expensive just to file such a lawsuit, and it takes so long to try, why would people who claim to have been injured by an association's actions sue under the RICO law? There are several reasons. First, it's another avenue once antitrust has failed. The original RICO suit against CCA was filed by a chiropractor who had already lost an antitrust action against the association in state court.

Also, some legal experts believe federal antitrust laws have been dilut-

ed recently. As one attorney who asked not to be identified explains, "plaintiffs are losing their faith in the antitrust system. In the past four or five years, it has become a toothless tiger."

Another reason for civil RICO suits is that they offer the possibility of treble damages. This means that some parties will settle rather than fight—although they know they are innocent—because of the cost of defending such actions and the threat of large payouts if they lose the case. A case in point: Damages in the three suits against CCA could exceed \$156 million.

Even the preliminary steps in a RICO action are costly, because the statute allows the plaintiff so much leeway in subpoenaing files (including attorneys' records) and papers, taking depositions, and so forth. "The RICO statute is so broad that it's pretty easy to get beyond the complaint stage even if you don't have anything," explains CCA's legal counsel Michael J. Schroeder of Wyman, Bautzer, Rothman, Kuchel & Silbert, a Newport Beach, California, law firm.

Regardless of why such suits are initiated, experts agree that civil RICO actions will increase in light of a recent Supreme Court decision. The issue in question was whether a plaintiff could sue under RICO if the defendant had no prior criminal conviction. The second U.S. Court of Appeals in New York ruled that prior criminal conviction was necessary in *Sedima v. Imrex Co.* In a diametrically opposite conclusion, the seventh U.S. Circuit Court of Appeals in Chicago refused to throw out the RICO charges in *American National Bank and Trust Company of Chicago v. Harco Inc.* The U.S. Supreme Court, on July 1, 1985, upheld the seventh Circuit's ruling—and rationale. The Court said, in effect, the RICO statute may indeed be too broad, but that's the way it's written, and if it needs to be corrected it's up to Congress to do so.

Proponents of civil RICO are pleased with the Supreme Court decision and say protection of victims from all types of racketeering is exactly what Congress had in mind. They point out that it's not just unscrupulous lawyers seeking quick settlements for frivolous suits who are using civil RICO. IBM, for example, sued Hitachi, Ltd., under RICO for computer software theft, and the suit was settled for more than \$200 million.

While the debate rages on, where

does it leave U.S. associations? Clearly at risk, according to Mr. Schroeder. "I don't know how you can protect yourself. The thing is so broad. Plaintiffs simply have to allege the things that a RICO suit requires, and at the very end, they are not going to get anything, but you are going to have legal fees of considerable proportion because these are not simple suits to defend." Take, for example, the RICO woes of the association he represents, CCA.

## Under the fire of civil RICO

The first RICO suit against the California Chiropractic Association was filed in December, 1983, by Dr. Jeremy Sigmond of Los Angeles. Defendants in the suit included the CCA's Health Service Foundation Peer Review Committee, the association's former general counsel, state and regional chairmen of the Peer Review Committee, members of the committee, and two insurance companies.

The gist of the complaint in this case is that the Peer Review Committee engaged in a pattern of racketeering through its activities, which allegedly included reviewing charges and practices in such a way that they "conspired to control the chiropractic profession by fixing, controlling, and depressing fees for chiropractic treatment." This may sound like an antitrust action, but Dr. Sigmond earlier had lost a similar antitrust case against CCA in a state court. The alleged fraud that qualified the new case for a civil RICO action was that the defendants sent mailings designed to mislead chiropractors as to the nature and purpose of the Peer Review Committee.

Because the issue of the entire peer review process is an integral part of these cases, on the advice of his legal counsel CCA's executive director Garrett F. Cuneo declined to tell ASSOCIATION MANAGEMENT why the process was instituted and how it worked. However, Dr. Michael D. Pedigo, president of the International Chiropractors Association, Washington, a group not affiliated with CCA, explains that a chiropractic peer review process is the same as in other health care professions. Its purpose is self regulation. "The peer review covers guidelines as to what would be acceptable. It is a vehicle established for the patients' benefit," he says. Such panels, for example, handle questions of appropriateness or overutilization of treatment.





According to Dr. Pedigo, most peer review committees are affiliated with state associations. His association hasn't been involved in such efforts since 1974, when it was decided state groups were much closer to the scene and could perform much more efficiently.

#### **Revision of peer review process**

The general concern with peer review is underscored by the fact that Florida recently ordered that peer review panels be appointed by the State Board of Chiropractic Examiners.

CCA's Peer Review Committee is not affiliated in any way with California's State Board of Chiropractic Examiners, according to the board's executive director, Edward J. Hoefling. His office does not receive the materials under review or the results of the committee's deliberations, but he acknowledges that sometimes "they've forwarded cases to us." The state board has no authority over the matter of fees, but it is authorized to take action against chiropractors for incompetence, negligence, or excessive treatment." In fact, the board can revoke licenses where such actions have been proven.

**Another aspect of civil RICO suits is that they offer the possibility of treble damages. This means that some parties will settle rather than fight, because of the cost of defending such actions and the threat of large payouts if they lose the case.**

Perhaps some type of immunity would not be bad for many types of peer review processes. These self-policing bodies have come under a lot of fire, and it's made many associations extremely cautious.

In California, Dr. Sigmond takes credit for stopping CCA's peer review process. "There is no more peer review. I shut them down before I was even forced to retain counsel. They are no longer in effect. They were shut down October, 1983. I did that myself." CCA acknowledges that it has revised its peer review process, but denies it was because of Dr. Sigmond's action.

According to attorney Michael Schroeder, many associations were revising their codes of ethics in the early '80s as a result of U.S. Supreme Court decisions relating to antitrust and peer review. Subsequently, the Federal Trade Commission approved one health care association's code of ethics and, "as a result, several associations, including ours, came out with new codes of ethics patterned on that one because it was approved," says Mr. Schroeder.

In 1983, all health care associations in California were re-evaluating their procedures, trying to figure out what they should do. At one point, the

## CCA expects to be vindicated, either by the court's dismissal of the case or at trial, but in the meanwhile, the strain on the association's resources, both financial and human, is considerable: Outside experts put the costs at well into six figures.

CCA closed down its peer review operations altogether. "They have begun operations again, but in a much more conservative mode," say Mr. Schroeder. Under CCA's new code of ethics, the association will not handle peer review disputes that relate to nonmembers, and while the new procedures allow for review of quality and necessity of care, they do not include fee reviews.

### Spreading the RICO gospel

After Dr. Sigmond filed his RICO suit, he sent a series of letters to all the chiropractors in California making allegations of fraud against the association, urging them not to pay their annual CCA dues, and inviting them to attend seminars he was conducting around the state to discuss his point of view. As a result of those letters, CCA is suing him for defamation and interference with contractual relations.

Also taking part in Dr. Sigmond's seminars were his attorneys—the law firm of Gould & Sayre.

After attending Dr. Sigmond's seminars, several participants also filed RICO suits against CCA. Not all of them were CCA members, but they all had cases reviewed by the Peer Review Committee.

CCA expects to be vindicated, either by the court's dismissal of the case or at trial, but in the meanwhile, the strain on the association's resources, both financial and human, is considerable. Because of CCA's countersuits in these matters, Mr. Cuneo is unable to be specific about exact costs, but outside experts put the amount at well into six figures. And while CCA may be the first association sued under RICO, legal experts say it won't be the last.

There is no foolproof protection against civil RICO actions because of the broad leeway it permits plaintiffs. The high payoff in terms of treble

damages is a strong inducement not only to those who believe they have a legitimate grievance, but also to unscrupulous "fishing expeditions," to see what the threat of a RICO suit will bring in terms of settlement. Proponents of civil RICO argue that such legal bad apples should be disciplined, but that the injury from such frivolous litigation should not be compounded by denying all victims of racketeering their day in court.

### Limiting RICO actions

Where does this leave associations? At a great risk from such suits and with a mandate to do whatever possible to limit their effect. Ray Boucher—who sees the action from the plaintiff's side—suggests associations should be careful to follow the organization's stated goals and objectives, and cliques within the group should not be allowed to "go after people who are on the fringes." Mr. Boucher advises associations to pay close attention to disgruntled members, handle their complaints in a timely manner, and document these complaints and the association's actions. "When it gets to jury, your attorney will love you because you will win the case for him," he predicts.

Well and good. But what about the \$100,000-plus fees to defend against the action, to say nothing of members' concern and the time spent away from productive association activities?

The first step, according to CCA's Garret Cuneo, is to be aware of the original purpose of RICO, and the direction it is now taking. "The board of directors and executive committee need to be aware of the potential for litigation out there." Two other steps, Mr. Cuneo suggests, are making sure your organization's bylaws are up-to-date and in compliance with antitrust provisions, and that your liability insurance is adequate.

Michael Schroeder, one of CCA's

attorneys, is also a strong advocate of insurance. "Have as much insurance as you can get for the board and everybody else. Don't just settle for a general liability policy," he says. "Go after a defensive judgment policy that covers you against the sort of business litigation—antitrust and RICO—that you see these days." The need is clear. "Even if the suit is totally baseless," he continues, "you can get killed by the legal fees."

### Insurance industry being hit

Here's the rub: The insurance industry, hard hit by growing liability actions, may be forced to make such insurance more costly. According to Marc Rosenberg of the Insurance Information Institute, it's difficult to say what effect civil RICO actions will have on the insurance marketplace. The whole question of general liability coverage for associations or corporations is in a state of flux right now because of the "dramatically increased exposure to liability," says Mr. Rosenberg.

Major insurance carriers are trying to convince state regulatory agencies to allow them to include the cost of legal defense within the limits of such coverage. What this means is that if you have a \$1 million liability policy, and an action against you costs \$150,000 to defend, legal costs will be subtracted against the policy limit, instead of being added to it, as is now most often the case.

"Association executives should carefully review their policy renewals to determine whether such changes have been incorporated into their liability coverage," says Mr. Rosenberg. He also advocates umbrella policies—a second tier of insurance that kicks into effect after your organization has exhausted all of its regular coverage.

Civil RICO is clearly here to stay—at least for awhile. Although there are efforts by a number of groups to have RICO amended, no one expects it to happen soon, leaving associations in a frustrating quandary.

Michael Schroeder puts it this way: "I can't believe a person who is upset about something relating to a state board investigation can sue the California Chiropractic Association for being racketeers. I just don't believe that's what Congress meant RICO to do."

*Susan Mitchell Bistline is a freelance editorial consultant in Sacramento, California.*





## Media Communication

Garry Pomeroy

### Insurance fraud — or extortion?

The insurance industry is very clever. As a model to be employed throughout the country, the insurance companies struck a "deal" with New Jersey legislators sometime in 1988. It was proposed as a great way to solve the huge problem of insurance fraud, which was causing the battered insurance companies to raise insurance rates on those they were most concerned about: their insured. Rate increases due to skyrocketing fraud and campaign contributions was the subject of conversation among insurance industry executives over dinners in fine restaurants and on the private golf courses.

The deal went as follows.

The legislators would vote in a new branch of the New Jersey Department of Insurance called the New Jersey Department of Insurance Fraud Division (DIFD). The state would house this police operation within the walls of the existing Department of Insurance. The state would issue badges and state letterhead and, in many cases, firearms and cars. The agents — all ex-police — would be able to say they were state agents working for the citizens of New Jersey, protecting them from insurance fraud. There was no special training about health care or insurance forms or commonly accepted treatment regimens of any kind — just good old north Jersey ex-cops. A couple, it is alleged, were fired from their police jobs for "little" things like jury tampering and case fixing. Not a savory group by any standards.

The legislators were assured that this was a great deal for the state because they, the insurance industry, would pay for the entire division, salaries and overhead, so it was not going to cost the state a penny. The DIFD would also generate revenues to pay off the giant debt incurred in the high risk driving pool, which they were responsible for through mismanagement and profit at the state's expense. The taxpayers expense. In fact, the insurance industry would even take care of registering complaints and participate in the tracking of fraudulent providers. What a deal!

Here's what happened next. The DIFD, all set up and operating, went about the business of cleaning up insurance fraud. It was easy. They knew just where to look because the insurance companies — the ones that paid the state agents' salaries — gave them complaints

sums of money from chiropractors. All they had to do was call the doctor up and explain that there was a complaint of fraud (examples: alleged double billing, clerical errors, forged sign-in sheets or no sign in sheet at all, unnecessary testing, over-billing, over-treating, submitting for services never rendered, no signature on the

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***"What a friendly gesture... like saying for \$5,000 we won't throw a molotov cocktail through your front window."***

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bill, wrong date of service on the bill, etc.). Remember, the complaint came from the insurance company. Usually there was little evidence of any kind provided to the agents other than the complaint.

The next step for the agent was to explain to the doctor that this was very serious, that even a clerical error is fraud. After that, it was important to let the doctor know that if he or she did not fully understand the magnitude of the problem, they could expect the following scenario (or something similar).

First, all records would be audited and many confiscated. Then all patients would be interviewed and the local press notified for the purpose of public safety. The state board of chiropractic or medical examiners would be notified of the fraud to take appropriate action against the doctor. Even worse, a huge legal bill and large fine and subsequent loss of license could result. Pretty scary!

Here is where it becomes incredible. The agent, after seriously upsetting the doctor (in fact, *threatening* the doctor with little or no evidence or investigation) would ease his or her very troubled mind by explaining that it was a first offense or, that he understood it could have been a mistake. The agent would then explain that if the doctor signed a consent agreement neither admitting guilt nor denying it, and gave the agent a check for \$5,000 per alleged violation, the matter would be dropped and no further action against the doctor would be pursued. What a friendly gesture, sort of like saying for \$5,000 we won't throw a Molotov cocktail through your front



would even take care of the...  
plaints and participate in the tracking of  
fraudulent providers. What a deal!

Here's what happened next. The DIFD, all set up and operating, went about the business of cleaning up insurance fraud. It was easy. They knew just where to look because the insurance companies — the ones that paid the state agents' salaries — gave them complaints about chiropractors and other doctors every time they had an inkling, disproportional toward chiropractors.

The insurance company would call over to the DIFD or file a complaint in writing and the agents would get right on the case. They would contact the doctor with the alleged complaint prior to any investigation and explain the situation. They were too busy or lazy to do any real investigation when it was so easy extracting large

then explain that if the doctor signed a consent agreement neither admitting guilt nor denying it, and gave the agent a check for \$5,000 per alleged violation, the matter would be dropped and no further action against the doctor would be pursued. What a friendly gesture, sort of like saying for \$5,000 we won't throw a Molotov cocktail through your front window.

In 1989, they collected about \$150,000 through this mechanism. By 1992 they had collected \$1.4 million. That is a pretty good statistic for any operation. This one had run amok and had to be shut down.

With the help of some extremely brave chiropractors, and a dentist who had decided to come forward and testify, Dr. Michael Harvey and I were able to solicit

— See *FRAUD*, page 30 —

## Fraud

—from page 7

the help of one of the nation's top lawyers, Mr. Richard Jaffe. A lawsuit was filed in federal court under the RICO statute — specifically mail and wire fraud as many of the incidents occurred through the mail and over the phone. Our chances were not great. In fact, the cards were stacked against us. We were not taking on city hall. We were taking on the state of New Jersey in federal court. A sovereign state with immunity at almost every level of government. Very ominous.

Mr. Jaffe was able to convince a federal judge that the state agents could not hide behind the cloak of immunity because they really were not state agents, and even if they were and we are right, this was state-sponsored extortion. Amazing. *Medical Economics* magazine in July of 1994 in a published article about this lawsuit stated that our success would change the way the insurance industry does business with government across the country.

Now, because of the few brave people who came forward and Mr. Jaffe, we are going to trial in federal court against insurance fraud investigators who are employed by a nominal state agency. The legal bills of the investigators are being paid for by the taxpayers of New Jersey. We have the insurance industry on notice that this was going too far. The implications of this

lawsuit are extraordinarily far-reaching, and in the event of victory will be used to maximum potential. Let's separate the insurance industry and government. This is one effort being brought forward to level the playing field of health care for practitioners and the public.

The individuals bringing this lawsuit forward have, at great financial and personal risk, started something that is history making. It has been funded by a few good people who recognize the importance of the endeavor. Trial begins within the next couple of months while we fight for a court ordered report that the state did internally allegedly damn the DIFD prior to our suit but let it continue to operate. Big-time stuff.

As always, Mr. Jaffe's legal bill is due and payable and the implications of this lawsuit are for your benefit. Please consider a deductible contribution to the legal fees that are incurring so that we may enjoy your support. Write to Mr. Jaffe at: 1710 Summit Tower, 11 Greenway Plaza, Houston, TX 77046 or, call 713-871-2014 for more information.

(Garrison Pomeroy is founder and president of Chiropractic America, a program dedicated to using major media as a means for doctors to "advertise globally" and "profit locally." For no-obligation information, call 1-800-466-9988.) □

Dr. Jeremy A. Sigmond, Inc.

DIPLOMATE - NATIONAL BOARD OF CHIROPRACTIC EXAMINERS

2722 S. ROBERTSON BOULEVARD  
LOS ANGELES, CALIFORNIA 90034

(213) 836-3127

January 9, 1986

Dr. Donald Cannon  
P.O. Box 14487  
So. Lake Tahoe, CA. 95702

IN RE: R.I.C.O.

Dear Donny:

I feel like a little kid compareing scars with you to see who has been injured the most concerning the walletectomies that you & I have undergone. As you can see from the enclosed I have paid out in the last two months well over \$34,120.42. Theodora claims that I still owe her an additional \$35,000.00. My last 3 news letters alone came to a grand total of \$15,000.00 that I paid out. Total expenses todate concerning my walletectomy comes to a grand total of well over \$175,000.00. Maybe that will make you feel somewhat at ease since as you can see objectively speaking YOU ARE NOT ALONE!

Elie Gindi has billed me for well over \$15,500 concerning Philip Browns Bankrupcy. If you & I were to split that figure since I already paid him over \$6,000.00. You would owe approximately \$7,770.50. However, you are just as financially strapped as I am & since I have been out of work since August 10, 1985 & legally restrained from Superior Court Judge John Cole since Nov. 1, 1985 I would appreciate if you could mail me forthwith \$3,000.00 before Jan. 15, 1986 then I will be able to meet my financial obligation to Fred, Ray, Marino & Purcell. I am presently working on obtaining a second Mortgage since I now own no material possessions. I probably would not have prevailed myself upon you for funds however your little buddy has been out of work since August 10, 1985. The monies that I do receive from my second mortgage should be enough to hold me off untill June 17, 1986 Trial.

In addition and as you can see from the enclosed material Philip E. Brown can no longer run from you & I. I believe we have him right where we want him back in the hot seat. I truly believe that the worst is over & that the bad guys are now stuck. Come June 17, 1986 YOU, I, BILL RUPERT et al will literally destroy the CCA and others associated with crimes to our profession. I truly believe that all combined R.I.C.O. actions will literally be won on June 17, 1986 or thereabouts.

Just for fun turn to the back of the enclosures & review Phil Browns schedules. We have nothing but fraudulent conveyances everywhere. Do you truly believe that Brown only has \$300.00 in the bank. I truly believe that with the help of certain concerned Dr's within our great profession that guys like Phil Brown & Paul Malapira will be behind bars & hopefully very soon.

I'll phone you soon & let you know how my administrative hearing came out. Let's be honest for over \$50,000.00 I better win!

Good luck with your appeal. I as well as Bill Rupert & others are on standby concerning hearing from your lawyers if they need us.

Sincerely yours,

Dr. Jeremy A. Sigmond, D.C.

cc Dr. William A. Rupert

Dr. Jeremy A. Sigmond, Inc.

DIPLOMATE - NATIONAL BOARD OF CHIROPRACTIC EXAMINERS

2722 S ROBERTSON BOULEVARD  
LOS ANGELES, CALIFORNIA 90034

(213) 836-3127

July 17, 1987

FBI Agent Stan Ornellas  
Building-17th Floor  
Wilshire Boulevard, L.A., CA. 90024

IN RE: R.I.C.O.

Stan:

my parents left for the East Coast & Canada yesterday on vacation according to Mr. Robert Blaugrund who is a friend to both of my parents he informed me that when he drove my mom & dad to the airport mother was hysterical & extremely scared for my safety since the fate of Dr. Kevin Pinion. Remember Stan on Friday, October 8, 1983 at 11:15 PM my home was raided by a 5 man goon squad armed with shotguns & irons. I chased them off with an M-16 battle rifle. Dr. George Benson was killed in a similar incident wherein a goon squad cracked his skull on his cabin when he filed a successful lawsuit aimed at the California Attorney General's office. Of course Kevin Pinion met the same fate as did Dr. George Benson et al: After my home was attacked on the evening of October 8, 1983 a Dr. William A. Rupert met with defendant Dennis Swanson who is Philip E. Brown's closest friends and according to Rupert, Swanson threatened to Rupert that he's not afraid of being sued by Sigmond since he will meet a violent end before that happens. Swanson made that statement on October 8, 1983 at an industrial seminar held at the Whittier College of Chiropractic. Swanson admitted on his deposition that he did make a statement but in jest. The only reason that he admitted to making that statement was because he feared that Rupert tape recorded the conversation several years back at an ICAC re-licensure seminar I met with a Dr. Richard Brown who introduced me to a short haired (butch haircut '60 style) chiropractor who admitted to me that he too had an altercation with Philip Brown & that he too received gun shot fire into his home as well and that law enforcement officials did nothing. In April, 1983 Philip E. Brown gave me a letter requesting a meeting of the minds between the two of us in order to prevent another legal battle. At that time and at Brown's request I informed him that, "Sigmond you have no idea how close you came to getting shot & if you continue with these court battles you will ultimately get shot." My reply to Brown was, "who is going to shoot me?" Brown replied, "I'm not going to make any further statements to you since you may be tape recording me." Ransom Sare informed me two days before he was killed that it was within the California Attorney General's office. Brown further informed me that "Sigmond you are digging two graves." My reply to Brown was that it's more than two graves." Stan other Dr's informed me to check into the murders of

& Peggy Ryan

Jeremy A. Sigmond, Inc.  
Diplomate - National Board  
of Chiropractic Examiners



STEVEN F. JOHNSON D.C.  
General Chiropractic Practice  
5713 N. Pershing Ave., Ste. C-3  
Stockton, CA 95207  
(209) 952-0126

California Chiropractic Association  
2201 "Q" Street  
Sacramento, CA 95816

ATTN: Dr. Lloyd Friesen

May 9, 1984

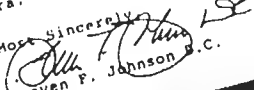
Dear Dr. Friesen,

Please accept this letter of resignation as a member of the Board of Directors of the California Chiropractic Association. Last night I informed the membership of our society of my intention to resign. A new director will be elected at our June meeting.

I do not feel that my being a member of the board has or will make any significant contribution to the CCA. And therefore, quite frankly, I feel that it is a waste of my time to continue. In my opinion the CCA is now run by a select few, whose motives often seem self serving, and without regard to what's best for the chiropractic profession.

I think that you and the other leaders of this association had better hurry and wake up. In our area (San Joaquin/Stanslaus) in the past year two new chiropractic organizations have been established, primarily because of dissatisfaction with the direction of the CCA. Both organizations, incidentally now have memberships as large or larger than our CCA society.

In any case, I refuse to lend credence to the idea that the democratic process still exists at the state level of our association, and for that reason am resigning effective immediately as a member of the Board of Directors.

Most Sincerely,  
  
Steven F. Johnson D.C.

THAT  
ISN'T  
ALL





. VAN DE KAMP, Attorney General  
the State of California  
B. MAMER,  
T A. LEVIN,  
Deputy Attorneys General  
Wilshire Boulevard  
Los Angeles, California 90010  
Phone: (213) 736-2121  
Attorneys for Plaintiff

UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA

E. BROWN,  Debtor.	)	CHAPTER 7 Bankruptcy No. LA-85-13351-BR Adversary No. LA-85-4972-BR
<hr/>		
EMPLOYMENT DEVELOPMENT DEPARTMENT OF THE STATE OF CALIFORNIA,  Plaintiff,	)	STATUS CONFERENCE MEMORANDUM
v.	)	Date: April 22, 1986
P E. BROWN,	)	Time: 2:00 p.m.
Defendant.	)	Place: Courtroom A, 8th Floor

*Cal*

When Plaintiff Employment Development Department of the State of California ("the Department") commenced the above captioned adversary proceeding, Debtor and Defendant Philip E. Brown ("Brown") was indebted to the Department for taxes, penalties, and interest (computed to February 28, 1986) in the sum of \$102,690.26. Subsequently, the Department accepted Brown's offer to settle

1 the above indebtedness by Brown's payment of cash to the Department  
2 in the sum of \$44,022.63 (the full amount of the above taxes  
3 and penalties). The Department has received Brown's check  
4 payable to the Department in the latter sum. Clearance of  
5 this check through the banking system will constitute the above  
6 cash payment. Brown's attorney informed the undersigned that  
7 Brown had borrowed the above \$44,022.63 from Brown's brother.

8 Since the Department is no longer a creditor of Brown,  
9 it no longer has an interest in pursuing the above entitled  
10 adversary proceeding. Creditor Jeremy A. Sigmond, through  
11 his attorney, Elie J. Gindi, has expressed an interest in inter-  
12 vening in and prosecuting this adversary proceeding.

13 While the Department wishes to withdraw from this  
14 adversary proceeding, the Department believes that its complaint  
15 therein is meritorious. The Department's investigation and discovery  
16 in this adversary proceeding has disclosed Brown's apparent  
17 continuing concealment of assets (a house and an automobile)  
18 and Brown's heretofore unexplained loss of assets (an annuity  
19 and a certificate of deposit).

20 On April 23, 1979, Brown recorded a quitclaim deed  
21 of his house to June Towill c/o Brown at his law office. Brown  
22 has continued to live in this house to the present. In 1982  
23 and 1983, he was still paying real property taxes and mortgage  
24 interest on this house.

25 In 1983, Brown purchased a 1983 Cadillac automobile  
26 for approximately \$25,000.00. In 1984, he sold this automobile  
27 to June Towill for approximately \$11,000.00. He still continues

1 to drive this automobile. June Towill also has a 1985 Cadillac  
2 automobile. She lives at the above house.

3 In 1984, Brown had an annuity with Executive Life  
4 Insurance Company for approximately \$75,000.00 and a certificate  
5 of deposit with Independence Bank for approximately \$100,000.00.  
6 In 1985, he filed his present no-asset bankruptcy.

7 Respectfully submitted,

8 JOHN K. VAN DE KAMP, Attorney General  
9 of the State of California  
10 EDMOND B. MAMER,  
11 HERBERT A. LEVIN,  
12 Deputy Attorneys General

13 By Herbert A. Levin  
14 HERBERT A. LEVIN

15 Attorneys for Plaintiff  
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27

DR. JEREMY A. SIGMOND, INC.  
Diplomate, National Board of Chiropractic Examiners  
9315 Woodley Avenue  
Sepulveda, California 91343  
(818) 891-9480

July 11, 1987

Special FBI Agent Stan Ornellas  
Federal Building - 17th Floor  
11000 Wilshire Boulevard  
Los Angeles, California 90024

IN RE: R.I.C.O.A. CV 83 7861 WJR (jrx)  
Multiple Murders

Dear Stan:

This morning a patient of mine by the name of Donna Nolan informed me that her former husband (Kevin Pinion) was found dead in his garage, apparently the result of blunt trauma since, according to Donna, there was blood everywhere. Remember, Kevin Pinion was a former undercover agent for the District Attorney who fingered Philip E. Brown and released over to me the Philip E. Brown tapes. I likewise released same over to the press. At one time Deputa DA David Lara informed Kevin to take back the tapes from Sigmond but, of course, I refused. Philip E. Brown threatened Kevin with death unless he signed a sworn statement indicating that the prior sworn statement that he signed in Sigmond's attorney's office was erroneous. Philip E. Brown read that erroneous statement to doctors who joined Brown's PFO, at which time Brown ripped those doctors off of between \$300,000.00 and never paid any state or federal income tax. During my legal assault against this alleged tax cheater and evader, Philip E. Brown, I also uncovered a \$102,000.00 debt owed E.D.D. & Brown attempted to discharge the debt owed the Government. I set up a meet and conference with deputy AG Herbert Levin, and Brown was caught perjuring himself and paid a \$44,000.00 penalty to avoid jail time for perjury. Remember, Herbert had a Sub Rosa on Brown and Brown was filmed driving to his deposition in a 1983 Cadillac. When Herb Levin informed Brown of the consequences of perjury he acknowledged. Herb Levin then asked Brown question #1: "What car did you drive here today for the purpose of the taking of your deposition?" Philip E. Brown replied, "MY DAUGHTER'S 1977 CELICA TOYOTA."

Philip E. Brown, with his buddies and co-horts in the California Attorney General's office, are out and outright killing off Chiropractors. The last doctor to make that statement to me was Dr. Ransom Sare. His body was found approximately 2 days after making that statement to me by Dr. Laura Flores. My telephones were wire tapped at that time by the California Attorney General. Numerous other doctors have made like or similar statements and I tape recorded those statements as well.

In conclusion, and with the apparent MURDER of Kevin Pinion, 90% of all my federal witnesses are now dead! The trial draws nearer and I will warn the remaining few witnesses to take whatever action they deem necessary to protect themselves should Philip E. Brown attempt to have them snuffed as well. Remember, the DA is one of Philip E. Brown's allies and all dead will merely be forgotten, according to Philip E. Brown.

Sincerely,

  
DR. JEREMY A. SIGMOND, INC.  
Diplomate-National Board of Chiropractic Examiners

**DR. JEREMEY A. SIGMOND, INC.**  
Diplomate, National Board of Chiropractic Examiners  
9315 Woodley Avenue  
Sepulveda, California 91343  
(818) 891-9480

September 24, 1987

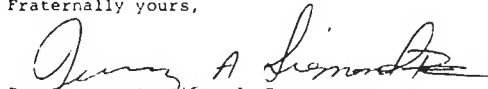
A REPORT OF MY FINDINGS BY DR. JEREMEY A. SIGMOND  
CHIROPRACTIC PHYSICIAN

On Friday, September 11, 1987 oral argument was heard before the United States 9th Circuit Court of Appeals concerning the CCA defendants attempt to escape the RICO trial. Please note that the Central District ordered the kingpin (Philip E. Brown) to stand trial but he ERRONEOUSLY let the BAG MAN (Paul J. Malapira) and his friends off. The issue at hand, of course, is the recent Supreme Court decision involving agency principles in the Antitrust context, holding that, under the doctrine of Respondeat Superior, the CCA can be held liable under RICO for the wrongful acts of its agents. See e.g., American Society of Mechanical Engineers v. Hydrolevel Corporation, 456 U.S. 556, hearing denied, 102 S. Ct. 3502 (1982). In fact Philip E. Brown himself wrote to the CCA Executive Committee and informed them that they should all be held before a mirror and he further informed them that pursuant to the recent Supreme Court decision concerning agency principles in the Antitrust context that they are as GUILTY as he is and that if the LEADERS OF THE CCA continue to refuse to pay his legal fees then he will have no choice but to sue the CCA for abrogation of their fiduciary duties. The CCA acquiesced from pressure from Brown and paid his legal fees. At this very moment Philip E. Brown must stand trial for Federal Racketeering. Hopefully, within a few weeks from now the remainder of the CCA defendants will likewise be forced to stand trial as well. Remember, it takes two to commit a conspiracy.

I urge all CCA members to drop out of the CCA immediately. Remember, the CCA is guilty of FRAUD. Therefore, please demand that the CCA refund you all of your past dues money since they have committed FRAUD upon ALL CCA members. Furthermore, a list of some 300 or so Chiropractors under the Selected Chiropractic Providers, Inc. has been turned over to special agents of the United States Treasury Dept. All of those Dr's with few exceptions will soon have Federal Gov't Liens placed upon their homes and any and all tangible assets will be confiscated. Remember, any monies obtained thru the illegal Racketeering Enterprise will soon be the property of the United States Government. Furthermore, these Dr's bank accounts will be frozen, as well as their PROPERTIES, BOATS, MERCEDES, PORSCHEs, AIRPLANES, SHOPPING MALLS, ETC. will likewise be confiscated. Any CCA Dr. who pays DUES MONEY after the 9th Circuit Court of Appeals rules in favor of Sigmond will be contributing and aiding known felons who now have charges of Murder 1 about to be leveled at them by various law enforcement agencies.

In conclusion, not only am I urging all CCA members to drop out of the CCA, but I urge all those members that do to file suit forthwith concerning the repayment of all dues money for committing FRAUD upon the entire Chiropractic profession.

Fraternally yours,

  
Dr. Jeremy A. Sigmond, Inc.  
Chiropractic Physician

LAW OFFICES

CASE, SCHROEDER, KNOWLSON, MOBLEY & BURNETT

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

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JOHN A. CASE  
MICHAEL J. KNOWLSON, JR.  
MICHAEL J. SCHROEDER  
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GARY S. MOBLEY  
ROBERTO G. LAUTOCAS  
BARRY A. YUCH  
RICH A. GIGEL  
MICHAEL E. WRIGHT  
GERALD A. KLEIN  
STEPHEN E. DIAL  
JANELLE SILVER-WESTRICK  
ELIZABETH A. PETERSON  
A PROFESSIONAL CORPORATION  
ALSO MEMBER OF HAWAII BAR

September 4, 1987

Mr. Garrett F. Cuneo, Executive Director  
California chiropractic Association  
1700 Alhambra Boulevard, #110  
Sacramento, California 95816

Dear Gary:

Enclosed please a copy of the Magistrate's Proposed Findings on the Cannon matter recommending dismissal, a copy of the Judge's Order dismissing the Cannon suit, and the Magistrate's most recent Order compelling answers on the Cannon matter and granting us sanctions. I would appreciate your distributing copies of these documents to the Board of Directors. I normally do not distribute copies of actual litigation documents to the Board, but I thought that they might find these particular documents to be amusing.

Sincerely yours,

*Michael J. Schroeder*

Michael J. Schroeder  
of CASE, SCHROEDER, KNOWLSON, MOBLEY & BURNETT

MJS:jj.186

cc: Jerilynn S. Kaibel, D. C., w/enclosures

THEY LIE,  
CHEAT, AND  
THEN THEY  
THINK IT IS  
AMUSING.  
THEIR MENTALITY

*See  
Please insert deleted  
to BN*